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TAGS: [MARR](#) [MOPS](#) [PREL](#) [PGOV](#) [NATO](#) [LG](#)
SUBJECT: NOT LOOKING GOOD FOR SAC IN LATVIA

REF: A) RIGA 391 B) STATE 72295

Classified By: Ambassador Charles W. Larson, Jr. Reason: 1.4 (d)

11. (C) Summary: Despite our direct intervention with the Prime Minister and the office of the President and the Foreign Ministry, we see it as highly likely that Latvia will decide not to proceed with participation in NATO Strategic Airlift Capability (SAC) Consortium. Direct appeals to the highest levels of government show an understanding of the importance of the issue to the Alliance but a genuine focus on the need to cut costs in the budget. There may be a chance to get the Latvians back on board if payment for their share can be delayed until 2009, but we cannot guarantee that. End summary.

12. (C) Following receipt of ref B instructions on July 7, we began reaching out to key players in the GOL to urge continued support for the SAC consortium in the ongoing discussions of revisions to the 2008 budget. This has been a regular point in our discussions with the Latvians since February when the MOU was released and the Latvians expressed sticker shock at the increased price tag. The MOD continues to tell us that they are unwilling to predict the outcome of the cabinet debate on this issue.

13. (C) Late in the evening of the 7th, the Ambassador spoke to PM Godmanis. As he had in the PM's congratulatory call on July 4, the Ambassador stressed to him the importance of Latvian retaining its commitment to the alliance on this issue and following through with signature of the MOU. The PM was clearly better briefed than he had been in the previous conversation and said that he supported the project generally but that the cost for 2008 (initial costs) were prohibitively high given the deteriorating economic situation and need to cut all areas in the budget. he asked if there was a way to delay payment until 2009, although he did not promise that such a delay would resolve the problem. The Ambassador pledged to look into it. Following on information provided by OSD to ODC, the Ambassador reported to the PM's office the morning of July 8 that payment would be needed this year.

14. (C) DCM spoke with MFA State Secretary Penke who affirmed that the MFA strongly supported the project but that Finance Minister (and former Defense Minister) Slakteris was strongly opposed to it and his views carry a lot of weight in cabinet as a former defense minister. Penke also thought that the cabinet debate would be July 10 not 8th as we originally heard. He assured us that FM Riekstins (currently out of the country) would support the project in cabinet.

15. (C) DCM also spoke with Edvards Stiprais, Chief of Staff to President Zatlers, and Andris Pelss his foreign policy advisor, to urge the President's intervention given his discussion of the issue with Secretary gates in Washington in April. Stiprais pledged to brief the President and ask him to raise the issue with PM Godmanis.

16. (C) Comment: We think it highly unlikely that the Latvian government will proceed with the SAC. Budgetary and political realities make it too appealing a cut, especially when balanced against growing public pressure for increased social spending to address the effects of 18% inflation on pensions and other benefits. Finance Minister Slakteris' opposition to the program does not help. We believe that PM Godmanis well understands the political importance of this project, but he seems to have made the calculation that he simply cannot afford it this year. If there was a way to delay Latvian payment into 2009, it might help, but we are unwilling to assure that it would make the difference. We will continue our dialogue with GOL officials until the cabinet makes its decision.

LARSON